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The Babcock & Wilcox Company Annual Report 1966

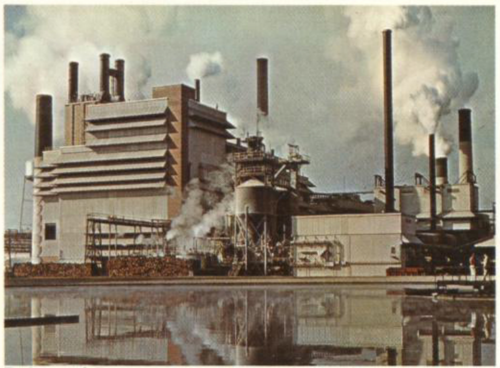
Our 99th Year of Helping Industry Serve America

Electric Utilities

Chemical and Petroleum

Machinery

Transportation


Pulp and Paper

Primary Metals

Government

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The Babcock & Wilcox Company

Incorporated in 1881 from a partnership formed in 1867.

Babcock & Wilcox is a major producer of capital goods, including steam generating equipment, nuclear systems and components, cleaning systems for heat transfer surfaces, air pollution control systems, meters and controls, systems for process automation, automated production machinery, steel tubular products and refractories.

Directors

A. G. PRATT, Chairman Emeritus
M. NIELSEN, Chairman and President
W. O. BAKER
R. J. CANTWELL
J. P. CRAVEN
WALTHER H. FELDMANN
J. ROY GORDON
STODDARD M. STEVENS
B. A. TOMPKINS
JOHN C. TRAPHAGEN
G. G. ZIPF

Officers

M. NIELSEN, Chairman and President
G. G. ZIPF, Executive Vice President
R. A. BARR, Vice President
R. J. CANTWELL, Vice President
CARL CLAUS, Vice President
J. P. CRAVEN, Vice President
A. T. FRAGOMEN, Vice President
R. H. HARRISON, Vice President
J. D. HITCH, JR., Vice President
G. W. KESSLER, Vice President
G. W. KROSS, JR., Vice President
S. T. MACKENZIE, Vice President
W. H. ROWAND, Vice President
H. H. SMITH, Vice President
A. P. TABER, Vice President
L. B. WOHLGEMUTH, Vice President
H. D. KENNEY, Comptroller
W. P. CATTERSON, Treasurer
MARTIN VICTOR, Secretary
O. R. CARPENTER, Assistant Vice President

General Offices	161 East 42nd Street, New York, N.Y. 10017
Stock Transfer Agent	BANKERS TRUST COMPANY, 16 Wall Street, New York, N.Y. 10015
Registrar	THE BANK OF NEW YORK, 48 Wall Street, New York, N.Y. 10015
General Counsel	SULLIVAN & CROMWELL, 48 Wall Street, New York, N.Y. 10005
Auditors	PRICE WATERHOUSE & CO., 60 Broad Street, New York, N.Y. 10004
Stock Listed	NEW YORK STOCK EXCHANGE

The Babcock & Wilcox Company

Eighty-Sixth

Annual Report 1966

for the year ended December 31, 1966

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Notice to Stockholders

The Annual Meeting of Stockholders will be held at 10 A.M., Wednesday, April 26, 1967, in the Biltmore Hotel, New York City. A formal notice of the meeting with a proxy statement and form of proxy will be mailed to each stockholder March 16.

1966 Highlights

	1966	1965
TOTALS		
Orders received	$840,064,000	$651,195,000
Unfilled orders	915,555,000	637,118,000
Sales (on percentage of completion method for long-term contracts)	561,627,000	481,600,000
Income before taxes and minority interests	62,478,000	56,340,000
U.S. and foreign taxes on income	28,710,000	26,060,000
Net income for the year	33,002,000	29,450,000
Cash dividends declared	15,313,000	13,458,000
Expenditures for property, plant and equipment	34,807,000	19,610,000
Depreciation of plant and equipment	14,778,000	13,519,000
Working capital	156,721,000	163,400,000
Stockholders' equity	263,193,000	245,504,000
Average number of employees during year	28,800	25,000
Number of stockholders at year end	21,529	17,934
Number of shares issued at year end	12,366,626	12,366,626
PER SHARE ISSUED*		
Net income for the year	$ 2.67	$ 2.38
Cash dividends declared	1.25	1.10
Stockholders' equity	21.28	19.85

*Per share amounts are based on shares issued at December 31, 1966, including shares held in the treasury for the stock option plans.

The Chairman's Letter

M. Nielsen, Chairman and President, receives an "Oscar of Industry" award signifying selection of B&W's 1965 Annual Report as best in the industrial equipment field. The Company has received seven such awards in the past eleven years.

To The Stockholders of
The Babcock & Wilcox Company:

We are pleased to report that earnings, shipments, orders, and backlog all reached new highs in 1966.

Net income has increased in each of the past eight years and has established a new record for the seventh consecutive year.

On January 26, 1967 the directors increased the quarterly cash dividend from an annual rate of $1.25 per share to $1.36 per share. This is the ninth successive year that the cash dividend has been increased.

Earnings for 1966 of $33,002,000, or $2.67 per share, were 12 per cent higher than the $2.38 per share earned in 1965.

Shipments of $561,627,000 were 17 per cent higher than those in 1965.

Orders totaled $840,064,000 and were 29 per cent above orders received in 1965.

The backlog of $915,555,000 at the end of the year was 44 per cent higher than at the end of 1965.

The backlog includes orders for three 840 megawatt nuclear reactor systems received by the Company in 1966. Two of the systems are for Duke Power and the third is for Metropolitan Edison Company. An order for a fourth system of similar size was received from Jersey Central Power & Light Company in February of this year.

In 1967 the Company will observe a century of continuous growth. For 100 years B&W has been dedicated to the principle that excellence in people, in facilities, in research, and in product is the soundest road to profitable growth. In this Annual Report we describe how Babcock & Wilcox—which is today a highly diversified organization—serves the fundamental needs of industry with a broadening list of products and services.

The Company's physical assets continue to grow. Equally important assets are the many dedicated people at all levels in the organization. Their efforts have made possible the excellent performance recorded in this and prior Reports.

Two men who contributed greatly to the Company's growth passed away in 1966: C. W. Middleton, a director since 1925, who retired as vice president in 1948, and W. J. Thomas, a consultant, who retired as vice president and director in 1964. Their friendship and counsel will be missed.

M. Nielsen.
Chairman and President

February 23, 1967

1966 Income and Where It Went

Our income was		
From products shipped to customers	$561,627,000	
From investment income	2,095,000	
Total	$563,722,000	
We paid out or provided		
For materials and services purchased	$235,570,000	41.8%
For wages, salaries and employee benefits	245,758,000	43.6
For taxes	33,010,000	5.9
For depreciation of plant and equipment	14,778,000	2.6
For interest on money borrowed	838,000	0.2
For minority interests in subsidiary companies	766,000	0.1
For cash dividends to stockholders	15,313,000	2.7
For future growth (retained earnings)	17,689,000	3.1
Total	$563,722,000	100.0%

Financial Review

The financial data in this report result from a consolidation of the accounts of the Company and its subsidiaries—Bailey Meter Company, Diamond Power Specialty Corporation, A. M. Lockett & Co., Limited, Standard Refractories Limited, and Babcock-Wilcox & Goldie-McCulloch Limited.

For the first time annual shipments exceeded one-half billion dollars and totaled $561,627,000. The approximate distribution of these shipments in 1966 by industry was as follows:

Electric Utilities	37%
Warehouses and Distributors	11
Machinery	11
Pulp and Paper	9
Transportation	6
Chemical and Petroleum	5
Fabricated Metal Products	5
Government	5
Primary Metals	4
Miscellaneous	7
	100%

Every product line continued to operate at a profit with the exception of atomic energy where we realize we must invest heavily in property, plant and equipment, as well as in research, in order to compete in the growing nuclear market. Earnings did not increase in proportion to shipments principally because of product mix.

A major portion of the $915,555,000 backlog is for conventional and nuclear steam generating equipment with deliveries extending into 1973.

The Company continues in a strong financial condition. Working capital was $156,721,000 at the end of 1966 and the ratio of current assets to current liabilities was 2.5 to 1.

As explained in the 1965 Annual Report, the Company had under study the use of either the completed contract method or the installment method of reporting income for tax purposes. To avoid additional taxes had the installment method been adopted, it was necessary for the Company to sell as of December 31, 1965, certain accounts receivable and rights to proceeds from unbilled shipments. This was on a full recourse basis, and by the end of 1966 the Company's contingent liability to banks had been reduced from $74,966,000 to $27,173,000.

As a result of the Company's studies, a decision was made to adopt the completed contract method for income tax purposes starting with the year 1965. This method defers payment of taxes so as to bring them more nearly in line with receipts from customers.

The change in tax accounting method has had no material effect on financial accounting for determining earnings for stockholder reports. For such purpose the Company continues to determine income from long-term contracts on a percentage of completion basis.

Expenditures for property, plant and equipment amounted to $34,807,000 in 1966, up from $19,610,000 in 1965. The major expenditures in 1966 were for expansion of the heavy pressure vessel facility at Mount Vernon, Indiana; increased capacity for the nuclear fuel plant at Lynchburg, Virginia; construction of an insulating firebrick manufacturing facility at Burlington, Ontario; acquisition of Detroit Broach & Machine Company and Century-Detroit Corporation; and additions to steel producing and finishing facilities at Beaver Falls, Pennsylvania, Alliance, Ohio, and Milwaukee, Wisconsin. These expenditures are part of the Company's continuing long-range program of integrating its product lines, developing new products and expanding and modernizing its production facilities. Capital appropriations already approved by the Board and projects under consideration could result in expenditures of about $30,000,000 in 1967.

The provision for federal taxes reflects the deduction for the tax investment credit on new equipment amounting to $1,414,000 or $.11 per share in 1966 as compared with $863,000 or $.07 per share in 1965. Under a recently enacted change in the tax law, the investment credit during the period October 10, 1966 to December 31, 1967 has been suspended. The Company will still obtain a benefit from the investment credit in 1967 on equipment ordered prior to October 10, 1966.

The average number of active employees during 1966 was 28,800 as compared with 25,000 in 1965.

At the end of 1966 there were 1,540 retired employees receiving pensions, a net increase of 130 during the year. Financial data concerning the Company's pension funds established in accordance with formal plans approved by stockholders in 1955 are as follows:

Total assets of pension funds at January 1, 1966	$45,295,000
Contributions by Company	6,881,000
Income from fund investments	1,905,000
Less: Pensions paid	(2,296,000)
Total assets of pension funds at December 31, 1966	$51,785,000

The following is a report on the stock option plans approved by stockholders in 1958 and 1963:

	Shares	
	1958 Plan	1963 Plan
Options outstanding on January 1, 1966	113,492	120,100
Options granted	—	68,500
Options exercised	(17,836)	—
Options lapsed	(4,528)	(5,100)
Options outstanding on December 31, 1966	91,128	183,500

No further options may be granted under the 1958 plan. The 1958 plan required that only previously issued shares be used to meet the stock options granted. The Company therefore completed purchase of sufficient shares for that purpose on the open market by the end of 1962.

In 1963 the stockholders approved a new stock option plan under which regular full-time employees of the Company and its subsidiaries may be granted options to purchase up to 400,000 shares of the capital stock of the Company with a limit of five per cent to any one employee at an option price of 100 per cent of the market value on the date the option is granted. There were 216,500 shares available for grants at December 31, 1966. In accordance with the plan, options may be granted at any time on or before April 1, 1968, and either previously issued shares or authorized but unissued shares of the Company's capital stock can be used to meet the options. The Company has purchased sufficient shares on the open market which, together with shares in the treasury not required under the 1958 plan, will meet options exercisable as of December 31, 1966.

At December 31, 1966, shares purchased for options cost the Company $2,683,522, all of which will be returned as options are exercised. The cost of these shares is included in Prepaid Expenses and Other Assets in the Balance Sheet.

Dividends were paid during the year 1966 as follows:

Amount Paid per Share	Date Paid	Date of Record
$.27½	Jan. 3, 1966	Dec. 10, 1965
.31¼	April 1, 1966	March 11, 1966
.31¼	July 1, 1966	June 10, 1966
.31¼	Oct. 3, 1966	Sept. 12, 1966

There were 21,529 stockholders at the end of 1966, an increase of 20 per cent over the 17,934 stockholders at the end of 1965.

Consolidated Balance Sheet

ASSETS	At December 31	
	1966	1965
CURRENT ASSETS		
Cash	$ 15,830,296	$ 14,641,127
Marketable securities, at cost (approximate market)	16,579,793	79,116,608
Accounts receivable (see note)	75,670,857	40,300,652
Unbilled shipments and installations, at contract prices (see note)	35,136,315	16,683,249
Inventories, at lower of cost or market	137,521,223	106,813,261
Advance payments on contracts	(18,124,781)	(7,876,500)
TOTAL CURRENT ASSETS	262,613,703	249,678,397
LONG-TERM RECEIVABLES (see note)	2,081,642	386,568
INVESTMENTS, at cost	447,067	960,833
PROPERTY, PLANT AND EQUIPMENT, at cost less accumulated depreciation and amortization: 1966–$144,012,053; 1965–$130,382,276	122,391,788	102,476,039
PREPAID EXPENSES AND OTHER ASSETS	4,850,694	3,292,496
TOTAL ASSETS	$392,384,894	$356,794,333

LIABILITIES AND STOCKHOLDERS' EQUITY	1966	1965
CURRENT LIABILITIES		
Notes payable and current portion of long-term debt	$ 5,775,826	$ –
Accounts payable and accrued liabilities	77,056,084	63,866,775
Cash dividends payable	3,824,115	3,367,930
U.S. and foreign income taxes	19,236,260	19,043,439
TOTAL CURRENT LIABILITIES	105,892,285	86,278,144
LONG-TERM DEBT–notes payable (3⅝% and 3⅞%) due in annual installments to June 1, 1974	16,600,000	18,800,000
MINORITY INTERESTS IN SUBSIDIARY COMPANIES	6,699,634	6,212,436
TOTAL LIABILITIES	129,191,919	111,290,580
STOCKHOLDERS' EQUITY		
Capital Stock:		
Par value $4.50; authorized 18,000,000 shares, issued 12,366,626 shares (amounts include $26,681,610 excess over par value–capital surplus)	82,331,427	82,331,427
Retained earnings	180,861,548	163,172,326
TOTAL STOCKHOLDERS' EQUITY	263,192,975	245,503,753
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$392,384,894	$356,794,333

NOTE:

After reductions for the following amounts sold to banks with full recourse (see page 4).

	1966	1965
Accounts receivable	*$15,696,813*	*$45,923,911*
Unbilled shipments and installations	*2,821,569*	*18,887,768*
Long-term receivables	*8,654,650*	*10,154,219*
	$27,173,032	*$74,965,898*

Consolidated Statement of Income & Retained Earnings

	For the Calendar Year	
	1966	1965
Sales (on percentage of completion method for long-term contracts)	$561,627,479	$481,600,137
Costs and expenses:		
Costs and operating expenses	456,476,213	384,381,268
Selling, general and administrative expenses	29,151,949	28,105,536
Depreciation of plant and equipment	14,778,286	13,519,328
	500,406,448	426,006,132
Income from operations	61,221,031	55,594,005
Income from investments and marketable securities	2,095,282	1,461,742
Interest expense	(838,295)	(715,300)
Income before taxes and minority interests	62,478,018	56,340,447
U.S. and foreign taxes on income	28,710,000	26,060,000
	33,768,018	30,280,447
Income applicable to minority interests	(766,223)	(830,250)
Net income for the year	33,001,795	29,450,197
Cash dividends declared	15,312,573	13,458,686
Remainder added to retained earnings	17,689,222	15,991,511
Retained earnings at beginning of year	163,172,326	147,180,815
Retained earnings at end of year	$180,861,548	$163,172,326

Consolidated Statement of Source and Application of Funds

	For the Calendar Year	
	1966	1965
Working Capital at Beginning of Year	$163,400,253	$137,709,560
Sources:		
Net income	33,001,795	29,450,197
Depreciation	14,778,286	13,519,328
	47,780,081	42,969,525
Applications:		
Additions to property, plant and equipment	34,806,775	19,610,227
Cash dividends declared	15,312,573	13,458,686
Net increase (decrease) in long-term receivables	1,695,074	(13,536,328)
Reduction of long-term debt	2,200,000	–
Other (net)	444,494	(2,253,753)
	54,458,916	17,278,832
Net Increase (Decrease) in Working Capital	(6,678,835)	25,690,693
Working Capital at End of Year	$156,721,418	$163,400,253

Opinion of Independent Accountants

To the Stockholders and Directors of The Babcock & Wilcox Company:

In our opinion, the accompanying consolidated balance sheet and statements of income and retained earnings and source and application of funds present fairly the financial position of The Babcock & Wilcox Company and its subsidiaries at December 31, 1966, the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

New York, N.Y., February 22, 1967

Ten-Year Comparison of

Balance Sheets (in thousands of dollars)

At December 31	1966
ASSETS	
Current Assets	
Cash	$ 15,830
Marketable securities	16,580
Accounts receivable (see note)	75,671
Unbilled shipments and installations (see note)	35,136
Inventories	137,521
Advance payments on contracts	(18,125)
Total Current Assets	262,613
Long-Term Receivables (see note)	2,082
Investments	447
Property, Plant and Equipment	122,392
Prepaid Expenses and Other Assets	4,851
Total Assets	$392,385
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Notes payable and current portion of long-term debt	$ 5,776
Accounts payable and accrued liabilities	77,056
Cash dividends payable	3,824
U.S. and foreign income taxes	19,236
Total Current Liabilities	105,892
Long-Term Debt	16,600
Minority Interests in Subsidiary Companies	6,700
Total Liabilities	129,192
Stockholders' Equity	
Capital stock including capital surplus	82,332
Stock dividends paid January following year	
Retained earnings	180,861
Total Stockholders' Equity	263,193
Total Liabilities and Stockholders' Equity	$392,385

NOTE: *After reductions for amounts sold to banks with full recourse (see page 4); 1966—$27,173; 1965—$74,966.*

Ten-Year Comparison of

Source and Application of Funds (in thousands of dollars)

For the Calendar Year	1966
Working Capital at Beginning of Year	$163,400
Sources:	
Net income	33,002
Depreciation and amortization	14,778
Sale of capital stock	
Working capital of subsidiary initially consolidated	
	47,780
Applications:	
Additions to property, plant and equipment	34,807
Cash dividends declared	15,313
Net increase (decrease) in long-term receivables	1,695
Reduction of long-term debt	2,200
Other (net)	444
	54,459
Net Increase (Decrease) in Working Capital	(6,679)
Working Capital at End of Year	$156,721

1965	1964	1963	1962	1961	1960	1959	1958	1957
$ 14,641	$ 10,591	$ 13,026	$ 9,169	$ 10,771	$ 12,887	$ 9,531	$ 11,764	$ 12,873
79,117	24,549	20,296	41,837	55,889	48,682	29,987	11,686	4,729
40,301	69,197	49,213	49,726	54,218	53,133	59,726	52,514	45,686
16,683	26,777	22,631	17,850	17,453	15,580	21,688	29,533	20,200
106,813	93,280	93,452	87,632	72,151	66,188	63,357	76,939	104,504
(7,877)	(7,850)	(15,166)	(20,142)	(13,752)	(13,205)	(10,608)	(11,226)	(12,168)
249,678	216,544	183,452	186,072	196,730	183,265	173,681	171,210	175,824
387	13,922	15,799	9,727					
961	1,278	2,621	868	1,044	723	604	604	604
102,476	96,365	95,473	83,679	68,406	70,925	73,390	67,867	56,741
3,292	4,379	4,971	4,759	3,930	4,097	3,472	1,890	734
$356,794	$332,488	$302,316	$285,105	$270,110	$259,010	$251,147	$241,571	$233,903

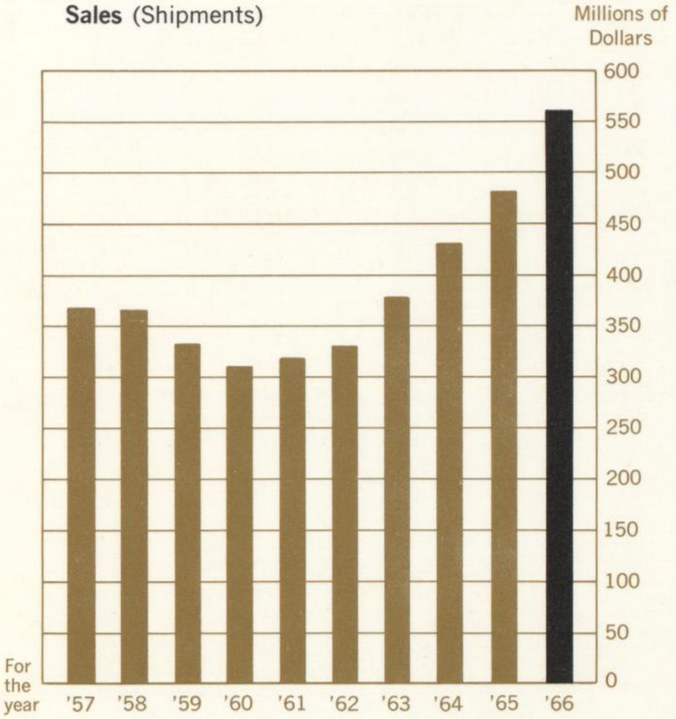
$	$	$	$	$ 2,200	$ 2,200	$	$	$
63,866	56,867	42,546	37,550	29,380	28,706	32,239	32,340	29,075
3,368	3,056	2,622	2,434	2,443	2,135	1,832	1,520	1,472
19,044	18,911	18,433	16,215	16,183	13,060	12,157	12,312	14,975
86,278	78,834	63,601	56,199	50,206	46,101	46,228	46,172	45,522
18,800	18,800	21,000	23,200	25,400	29,800	32,000	32,000	32,000
6,212	5,342	2,218	1,476	1,375	1,372	1,367	1,350	1,261
111,290	102,976	86,819	80,875	76,981	77,273	79,595	79,522	78,783
82,332	82,332	82,332	82,332	82,332	82,332	82,332	80,339	73,338
							1,993	7,000
163,172	147,180	133,165	121,898	110,797	99,405	89,220	79,717	74,782
245,504	229,512	215,497	204,230	193,129	181,737	171,552	162,049	155,120
$356,794	$332,488	$302,316	$285,105	$270,110	$259,010	$251,147	$241,571	$233,903

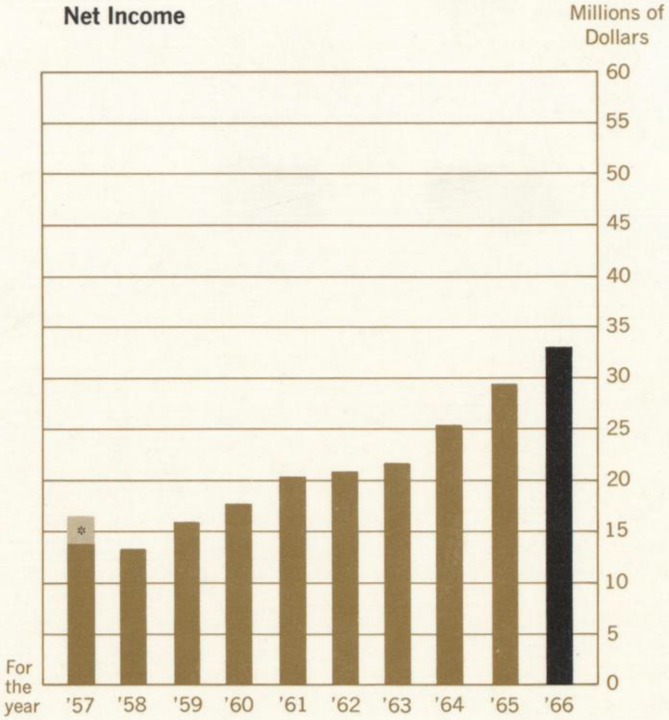
1965	1964	1963	1962	1961	1960	1959	1958	1957
$137,710	$119,851	$129,873	$146,524	$137,164	$127,453	$125,038	$130,302	$106,820
29,450	25,196	21,747	20,860	20,241	17,817	15,938	13,035	16,456
13,519	12,825	11,227	10,335	8,673	8,543	7,650	7,013	6,779
								18,267
	5,084							
42,969	43,105	32,974	31,195	28,914	26,360	23,588	20,048	41,502
19,610	12,265	23,101	25,662	6,188	6,105	13,183	18,162	13,708
13,458	12,211	10,480	9,759	8,849	7,632	6,435	6,107	5,753
(13,535)	(1,877)	6,072	9,727					
	2,200	2,200	2,200	4,400	2,200			
(2,254)	447	1,143	498	117	712	1,555	1,043	(1,441)
17,279	25,246	42,996	47,846	19,554	16,649	21,173	25,312	18,020
25,690	17,859	(10,022)	(16,651)	9,360	9,711	2,415	(5,264)	23,482
$163,400	$137,710	$119,851	$129,873	$146,524	$137,164	$127,453	$125,038	$130,302

Ten-Year Comparison of

Income & Retained Earnings (in thousands of dollars)

For the Calendar Year	1966
Sales (on percentage of completion method for long-term contracts)	$561,627
Costs and expenses except depreciation	485,628
Depreciation and amortization	14,778
	500,406
Income from operations	61,221
Income from investments and marketable securities	2,095
Interest expense	(838)
Income before taxes and minority interests	62,478
U.S. and foreign taxes on income	28,710
	33,768
Income applicable to minority interests	(766)
Extraordinary gain less related taxes	
Net income for the year	33,002
Equity in earnings of subsidiary prior to obtaining majority control	
	33,002
Dividends declared:	
Cash	15,313
Stock–1% in 1958, 4% in 1957	
	15,313
Remainder added to retained earnings	17,689
Retained earnings at beginning of year	163,172
Retained earnings at end of year	$180,861



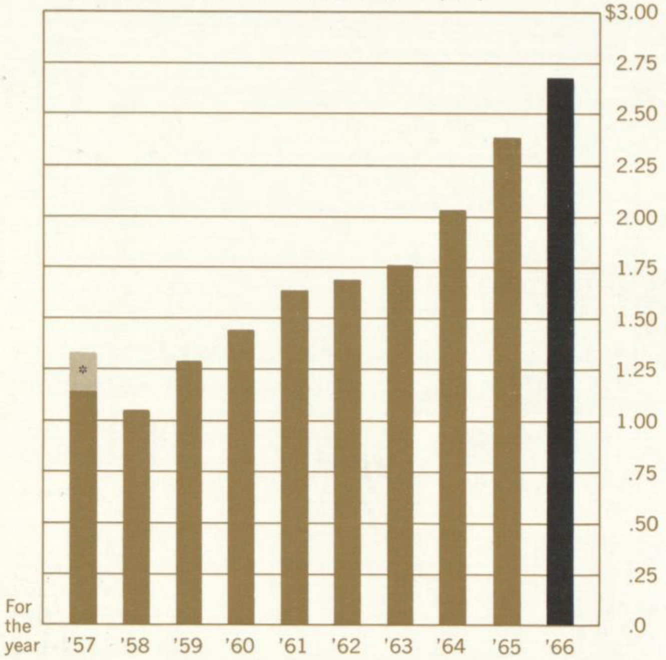


*Includes $2,250,000 extraordinary gain

1965	1964	1963	1962	1961	1960	1959	1958	1957
$481,600	$430,957	$377,684	$330,574	$319,353	$310,999	$332,071	$365,941	$366,081
412,487	370,335	321,392	277,245	268,721	266,749	291,058	329,221	326,375
13,519	12,825	11,227	10,335	8,673	8,543	7,650	7,013	6,779
426,006	383,160	332,619	287,580	277,394	275,292	298,708	336,234	333,154
55,594	47,797	45,065	42,994	41,959	35,707	33,363	29,707	32,927
1,461	2,224	2,035	2,068	2,283	2,011	1,509	462	386
(715)	(750)	(834)	(952)	(1,120)	(1,218)	(1,218)	(1,218)	(1,238)
56,340	49,271	46,266	44,110	43,122	36,500	33,654	28,951	32,075
26,060	23,480	24,240	23,000	22,580	18,380	17,430	15,640	17,630
30,280	25,791	22,026	21,110	20,542	18,120	16,224	13,311	14,445
(830)	(595)	(279)	(250)	(301)	(303)	(286)	(276)	(239)
								2,250
29,450	25,196	21,747	20,860	20,241	17,817	15,938	13,035	16,456
	1,030							
29,450	26,226	21,747	20,860	20,241	17,817	15,938	13,035	16,456
13,458	12,211	10,480	9,759	8,849	7,632	6,435	6,107	5,753
							1,993	7,000
13,458	12,211	10,480	9,759	8,849	7,632	6,435	8,100	12,753
15,992	14,015	11,267	11,101	11,392	10,185	9,503	4,935	3,703
147,180	133,165	121,898	110,797	99,405	89,220	79,717	74,782	71,079
$163,172	$147,180	$133,165	$121,898	$110,797	$ 99,405	$ 89,220	$ 79,717	$ 74,782

Earnings per Share

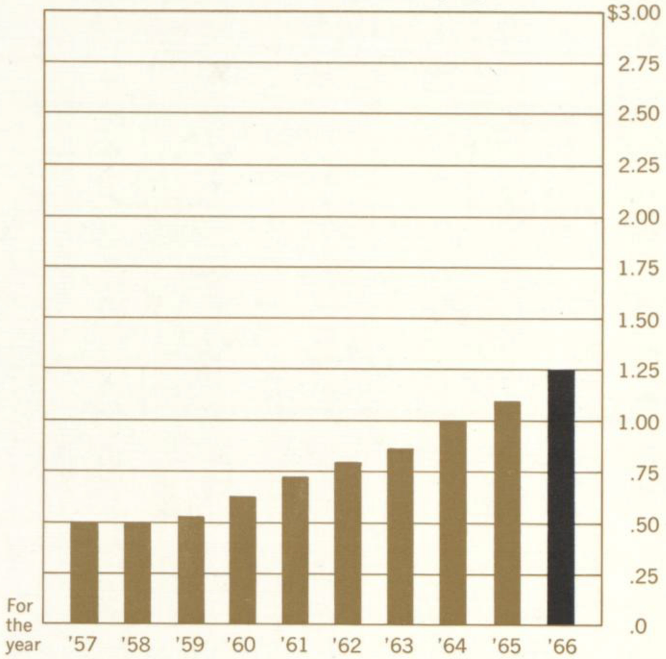
(adjusted for stock dividends and stock splits)



*Includes 18 cents per share extraordinary gain

Cash Dividends Declared per Share

(adjusted for stock dividends and stock splits)



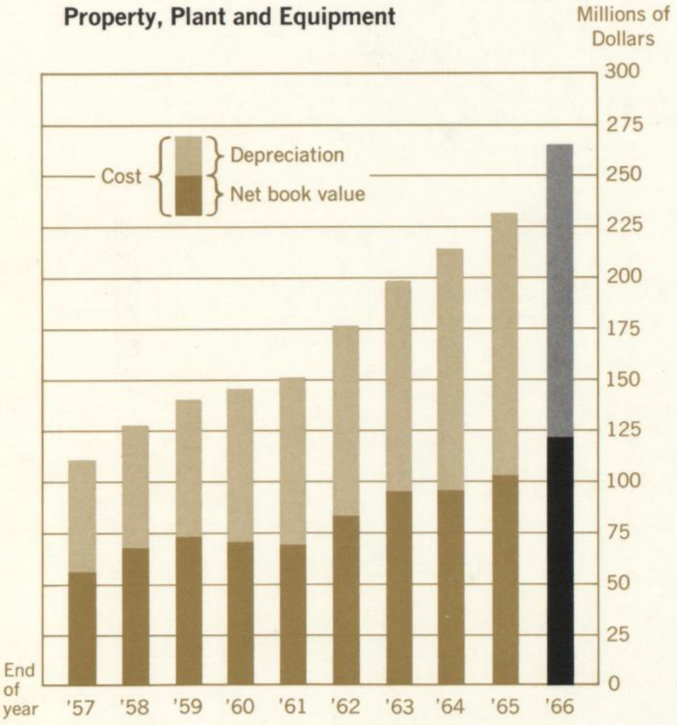
Ten-Year Comparison of

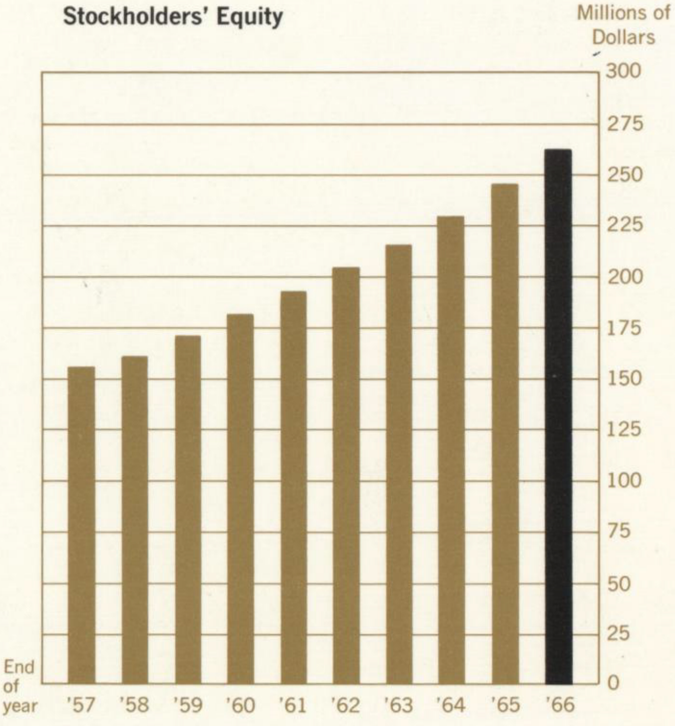
Property, Plant & Equipment (in thousands of dollars)

For the Calendar Year	1966
COST	
At beginning of year	$232,858
Expenditures during year	34,807
Other additions–initial consolidation of subsidiary	
Retired or sold during year	(1,261)
At end of year	266,404
DEPRECIATION AND AMORTIZATION	
At beginning of year	130,382
Charged to operations during year	14,778
Accumulated–initial consolidation of subsidiary	
Accumulated on property retired or sold during year	(1,148)
At end of year	144,012
NET BOOK VALUE	$122,392

Statistics

	1966
Income from operations before taxes–% of sales	10.9%
Net income for year–% stockholders' equity first of year	13.4%
Orders received–thousands of dollars	$840,064
Unfilled orders–thousands of dollars	$915,555
Shares issued during year: Stock dividend	
Stock split	
Stock sold	
Shares issued end of year	12,366,626
Per share issued (adjusted for stock dividends and stock splits–12,366,626 shares)	
Income for year	$ 2.67
Cash dividends declared	1.25
Stockholders' equity	21.28



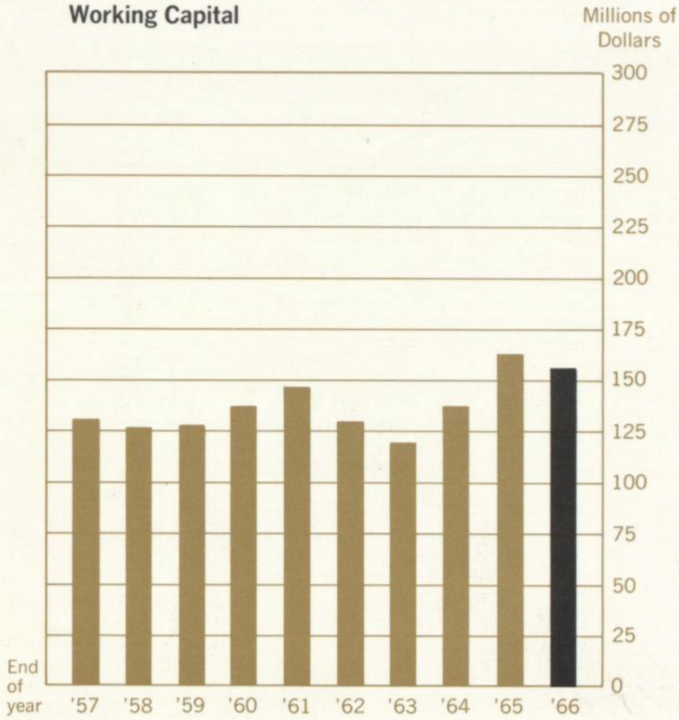


1965	1964	1963	1962	1961	1960	1959	1958	1957
$214,948	$198,827	$176,502	$151,518	$146,140	$140,587	$127,800	$110,291	$ 97,311
19,610	12,265	23,101	25,662	6,188	6,105	13,183	18,162	13,708
119	5,177							
(1,819)	(1,321)	(776)	(678)	(810)	(552)	(396)	(653)	(728)
232,858	214,948	198,827	176,502	151,518	146,140	140,587	127,800	110,291
118,583	103,354	92,823	83,112	75,215	67,197	59,933	53,550	47,481
13,519	12,825	11,227	10,335	8,673	8,543	7,650	7,013	6,779
29	3,613							
(1,749)	(1,209)	(696)	(624)	(776)	(525)	(386)	(630)	(710)
130,382	118,583	103,354	92,823	83,112	75,215	67,197	59,933	53,550
$102,476	$ 96,365	$ 95,473	$ 83,679	$ 68,406	$ 70,925	$ 73,390	$ 67,867	$ 56,741

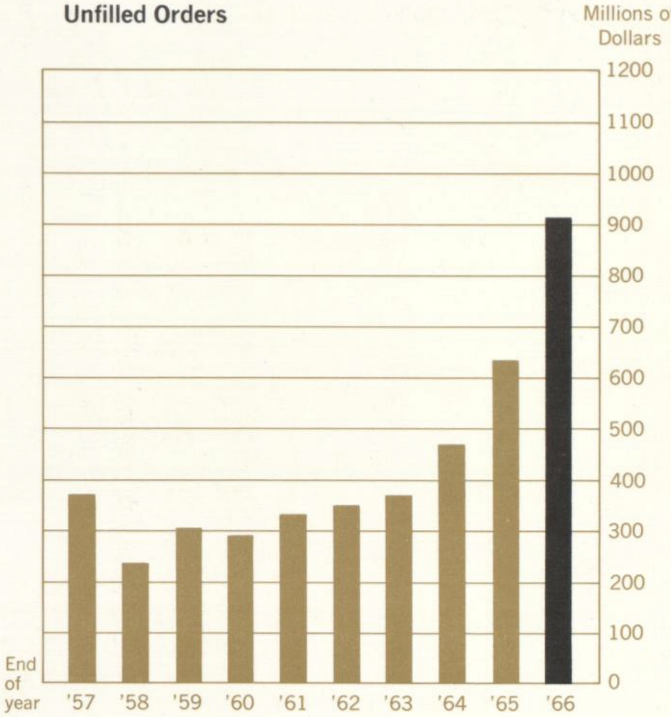
1965	1964	1963	1962	1961	1960	1959	1958	1957
11.5%	11.1%	11.9%	13.0%	13.1%	11.5%	10.0%	8.1%	9.0%
12.8%	11.7%	10.6%	10.8%	11.1%	10.4%	9.8%	8.4%	13.0%
$651,195	$525,814	$398,990	$348,907	$361,285	$301,146	$395,540	$236,201	$306,072
$637,118	$467,523	$372,666	$351,360	$333,027	$291,095	$300,948	$237,479	$367,219
						61,220	235,465	205,826
	6,183,313							
								535,148
12,366,626	12,366,626	6,183,313	6,183,313	6,183,313	6,183,313	6,183,313	6,122,093	5,886,628

$ 2.38	$ 2.04	$ 1.76	$ 1.69	$ 1.64	$ 1.44	$ 1.29	$ 1.05	$ 1.33
1.10	1.00	.86	.80	.73	.63	.53	.50	.50
19.85	18.56	17.43	16.51	15.62	14.70	13.87	13.10	12.54

Working Capital



Unfilled Orders

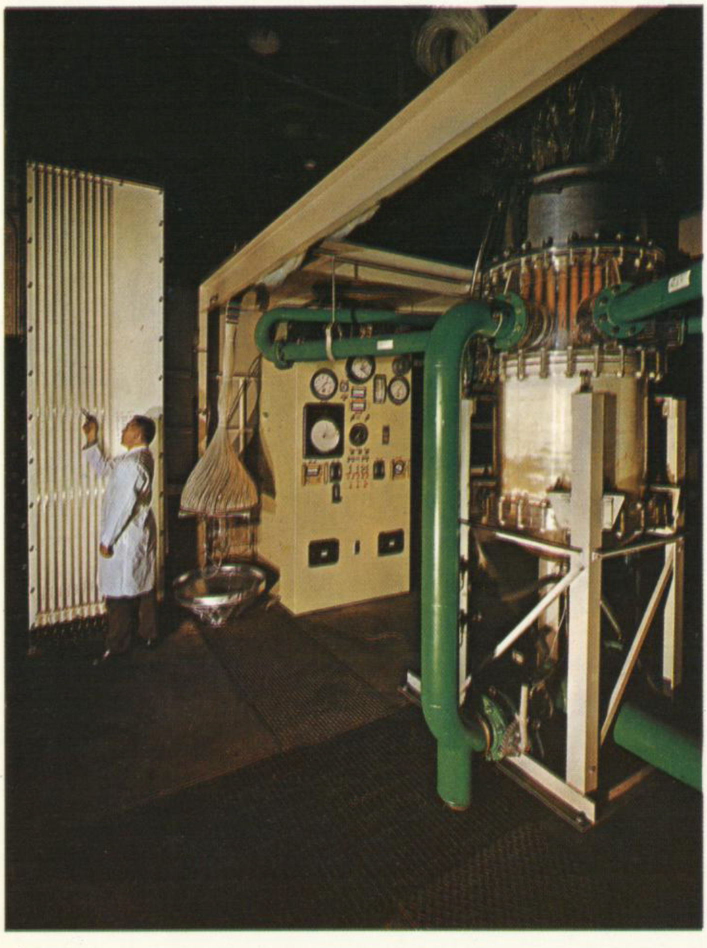


Serving Through Research and Development

B&W has been serving industry through research and development since 1867, when Stephen Wilcox's investigations into water circulation theory led to the invention of the first successful water-tube boiler. Organized research has been basic to the Company's operations ever since. B&W now spends over $15,000,000 a year for research and development. Advanced scientific work is performed at the Alliance, Ohio, Research Center, and the Lynchburg, Va., Nuclear Development Center. Development work is also done at the facilities of each division and subsidiary. B&W's scientists and engineers include leaders in major fields—thermodynamics, heat transfer, fluid flow, metallurgy, welding, solid state and nuclear physics, conventional and nuclear fuels, electronics, automation, controls, stress analysis, chemistry, chemical engineering, and high-temperature ceramics. Their work has made B&W a source of knowledge in many areas and the success of their efforts is one important reason for the Company's continued growth and profitability.

▲

The study of thermal and melting characteristics of high-temperature non-metallic materials is part of B&W's extensive refractories development program. One outstanding result of such programs is Kaowool, a ceramic fiber which has found widespread applications in many industrial and consumer products.



▲

B&W's research facilities are geared to investigation of all aspects of nuclear steam generation—from the fabrication of nuclear fuels to the flow of fluids through reactor systems. Shown above is a one-sixth scale model of a pressurized water reactor which is used to study flow and mixing profiles at various levels in the fuel element core.

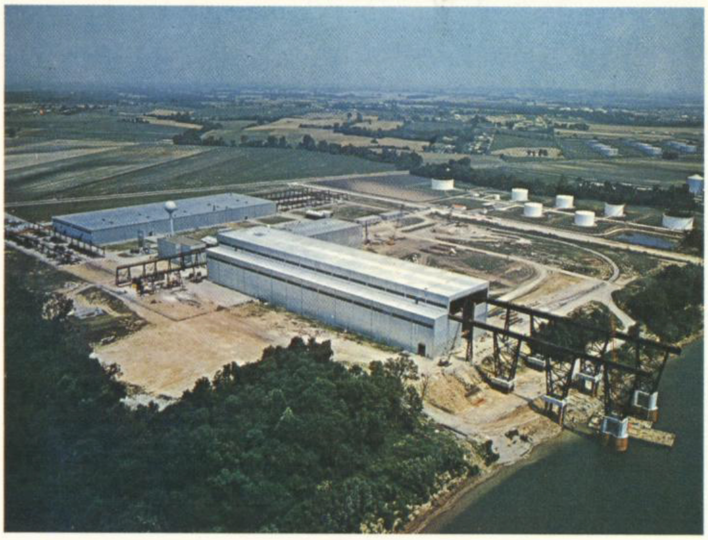
This "glovebox" line in B&W's Nuclear Development Center at Lynchburg, Va., permits scientists and engineers to perform safely many operations with radioactive materials. One present use is the selection and development of promising methods for preparing plutonia-urania fuels in ceramic form.

▼

Serving Through Capital Investment

Each division and subsidiary has a long-range plan for capital investment geared to the expected growth and changing needs of its markets. Under these plans B&W has spent nearly $175,000,000 in the past decade to expand facilities and markets, integrate operations and improve manufacturing quality and efficiency.

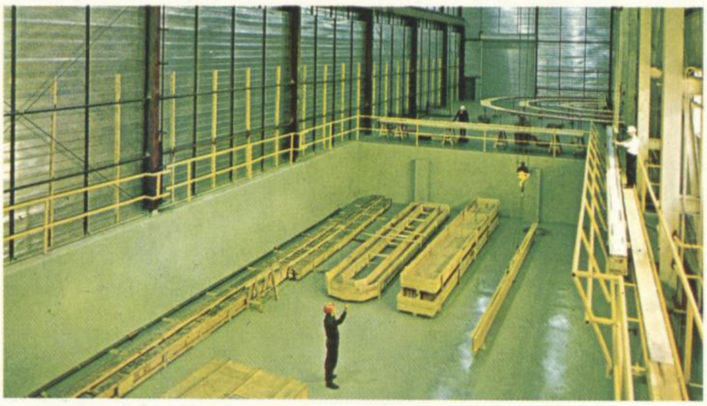
Every facility has been expanded and modernized. Many new plants have been built—at Beaver Falls for steelmaking, Wickliffe for controls, Mount Vernon for nuclear and other pressure vessels, Lynchburg for nuclear cores and research, Pointe-Claire, Que., for controls, Burlington, Ont., for refractories and sootblowers. Foreign market coverage has been expanded through acquisitions such as Diamond Power in England and Sweden, and Standard Refractories and Canapower, Ltd. in Canada. Product lines were broadened by purchase of the Albion Mine for kaolin clays; W. F. & John Barnes, Detroit Broach and Century-Detroit for automatic machinery; and Belfab for liquid and gas flow equipment.



At its $25,000,000 Mount Vernon, Ind., facility, B&W can build vessels for the nuclear, petroleum, chemical, aerospace and oceanographic industries of a size and quality undreamed of a decade ago. The plant is equipped to bend very thick steel plates into cylinders up to 30 feet in diameter, to examine 25 inch-thick welds with a 12.8 million electron volt linear accelerator, and to handle 1,000-ton, 150 foot-long vessels.

Expansion of steelmaking capacity at Beaver Falls, Pa., is part of a $14,000,000 Tubular Products division capital program. The division is a significant integrated steel producer and one of the largest makers of specialty tubing, welding fittings, rolled rings and other forgings, extrusions and similar products.

Growing with the Canadian economy—and anticipating its future expansion—is the Galt, Ont., plant of Babcock-Wilcox and Goldie-McCulloch Limited. The newly completed "clean room" shown here is in constant use for the fabrication of large nuclear components which must be handled in a contamination-free environment.



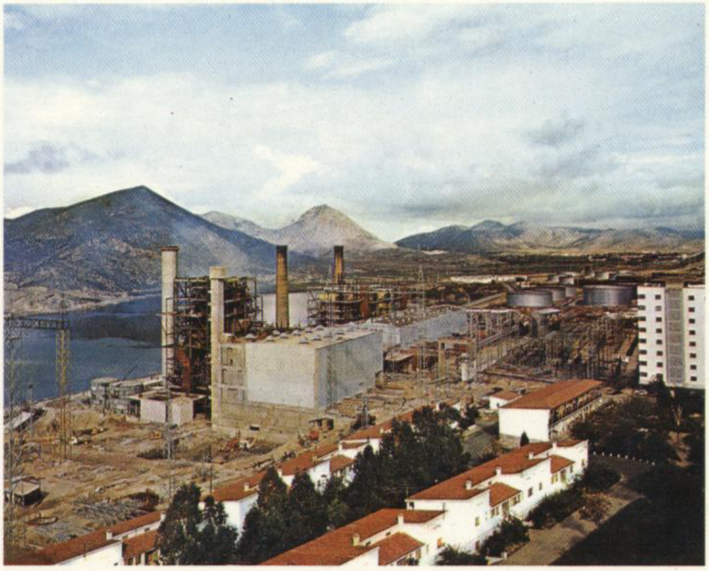
The Company's new Automated Machine division represents a two-way capital investment—in acquisitions and in their improvement and expansion. Four facilities make up the division—the Detroit Broach plants at Rochester, Mich. (left) and Greer, S. C., the W. F. & John Barnes plant at Rockford, Ill., and the Century-Detroit plant at Detroit, Mich. They are being expanded and improved in programs totaling $3,000,000.

Electric Utilities

B&W has served the electric utility industry since it installed boilers in the first central station, which was built in 1881. Continuing development has led to the mammoth and highly efficient steam generators of today. Much of the Company's research has been devoted to the economical conversion of heat from any source into steam for power. It was therefore logical for B&W to enter the nuclear field at its inception and to become one of its prime suppliers.

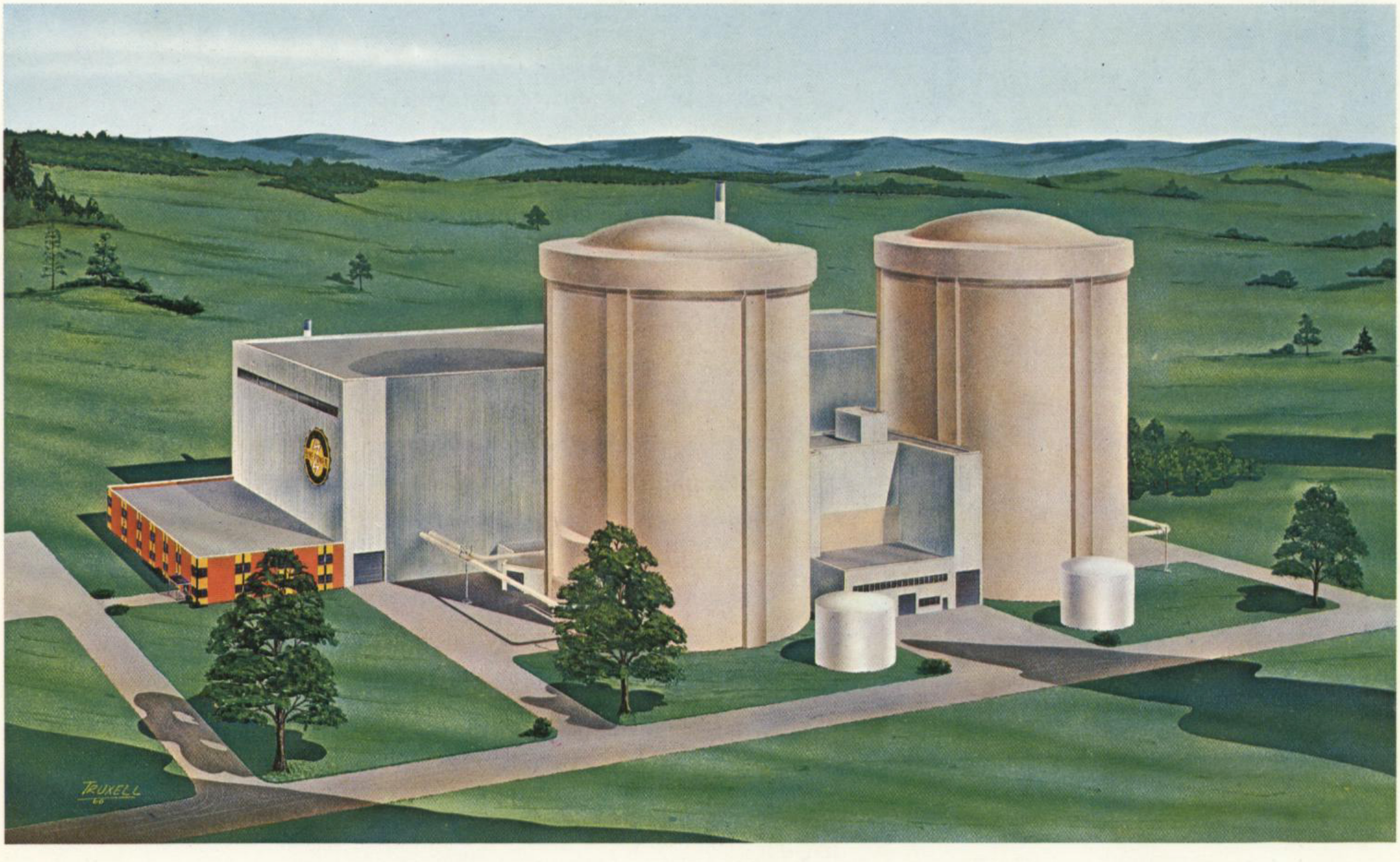
Meeting the rapidly growing electrical energy demands in the years ahead will take hundreds of generating units—both nuclear and fossil-fueled.

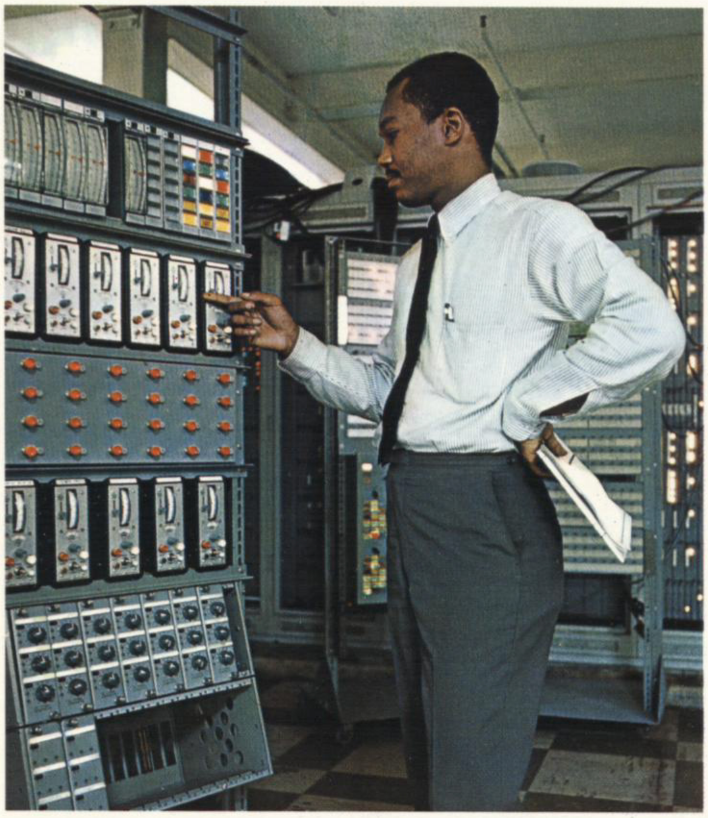
With integrated facilities for producing complete steam generating systems of both types, B&W's ability to satisfy the present and future needs of this enormous market is unmatched.



▲

The fifth major B&W steam generating system purchased by Hidroelectrica Espanola in the past ten years is located at Cartagena, Spain. The largest boiler in the country, the massive Universal Pressure unit symbolizes the rise of electric power use throughout the world.





◀Reliable measuring devices and controls developed by Bailey Meter enabled power stations to achieve a large measure of automation long before it became prevalent in general industry. Bailey's solid-state computerized control systems now permit push-button operation of a plant or any part of it. The systems maintain constant surveillance of the plant, adjust output to demand, log significant data, compute results—and shut the plant down if necessary.

Inspection of sootblowers at Diamond Power's, Lancaster, Ohio, plant, assures the continued high quality of cleaning equipment essential to efficient steam generation. This B&W subsidiary is the leading producer of sootblowers, closed-circuit television, gauges and other vital components for industrial plants and power generating stations. ▼

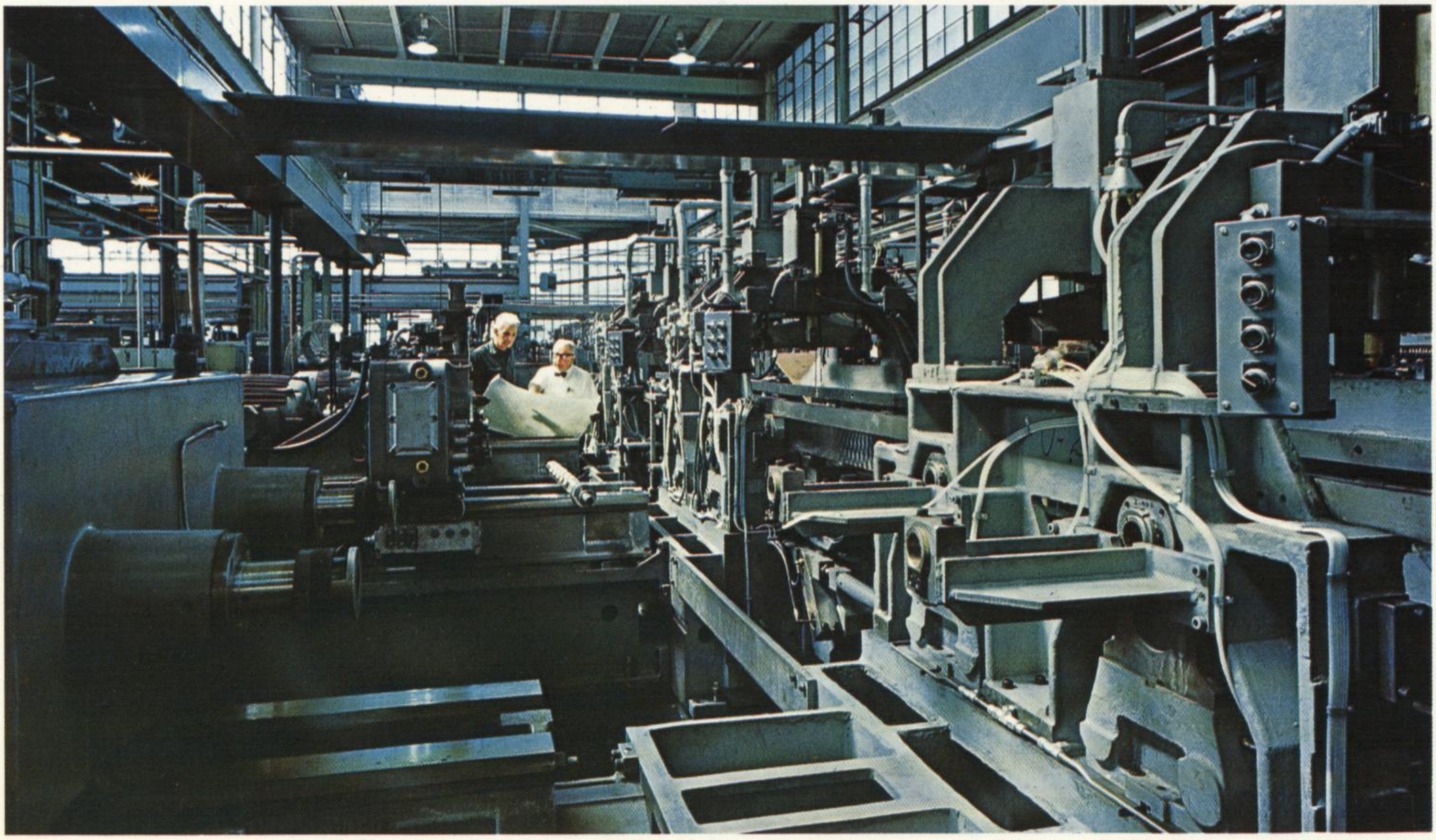
◀Two utilities awarded major contracts to B&W in 1966 for a total of three 840 MW nuclear steam supply systems. Duke Power's Oconee Nuclear Station on Lake Keowee, S. C., shown in artist's rendering, will have two of the systems. The third is for a new Metropolitan Edison Company plant to be built in Pennsylvania. An order for a fourth system of similar size was received from Jersey Central Power & Light Company in February 1967.

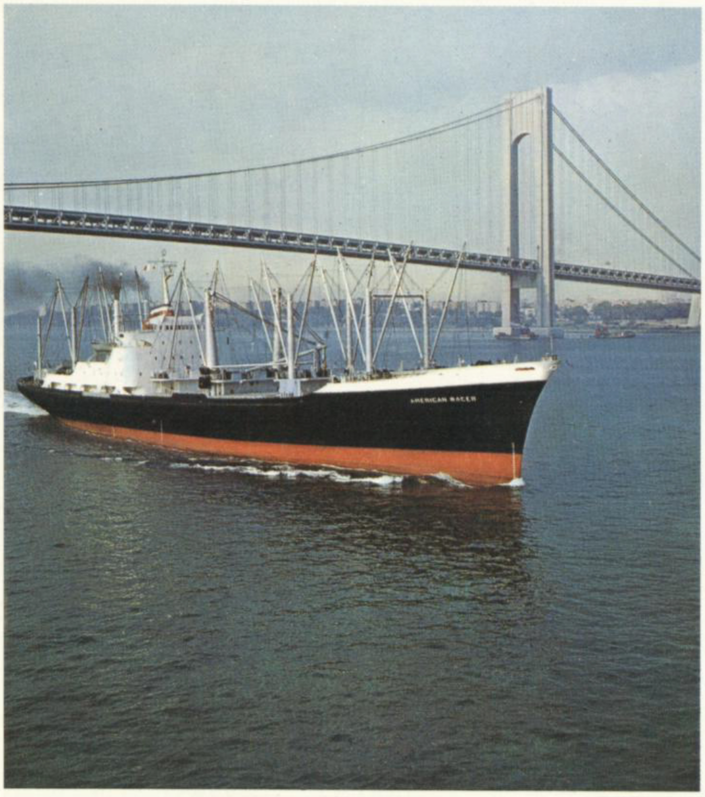
Transportation

Whether it rolls, flies or floats, much of the transportation equipment made in the United States contains B&W products or has parts that were shaped in some way by a B&W machine.

Automobile, truck, bus, tractor and locomotive manufacturers look to the Company's new Automated Machine division for a wide range of production machines. Expansion of the Tubular Products division's steelmaking and fabricating facilities increases B&W's ability to meet demands of the automobile, railroad and aircraft industries. Symbolic of the Company's leading role in supplying marine equipment—from power plants to automated controls—is the N.S. Savannah, whose nuclear plant, designed and built by B&W, has compiled an excellent record for nuclear performance, safety and reliability during several years of scheduled operations on major transoceanic routes.

▲
Both the freight train and its cargo in the illustration above represent markets for B&W products. The auto industry uses large quantities of high quality B&W steel tubing for bearing races, and for engine transmissions and other parts. Railroad wheels run on bearings with races made of rolled steel rings also produced by the Tubular Products division.





A recent addition to the thousands of ships powered by B&W is the American Racer. The first vessel in the U.S. merchant fleet built from keel-up for fully automated operation, the Racer and four sister ships are equipped with B&W boilers and burners, Diamond Power cleaning systems and Bailey controls. Their owner, United States Lines Company, estimates that reduced operating costs will save a total of $2 million per ship over a 20-year period.

The aircraft manufacturing industry purchases large quantities of B&W materials, components and production equipment. These include high-temperature, high-strength steel extrusions for jet engine parts, broaching machines for engine production, and tubing for landing gear shafts and other structural elements.

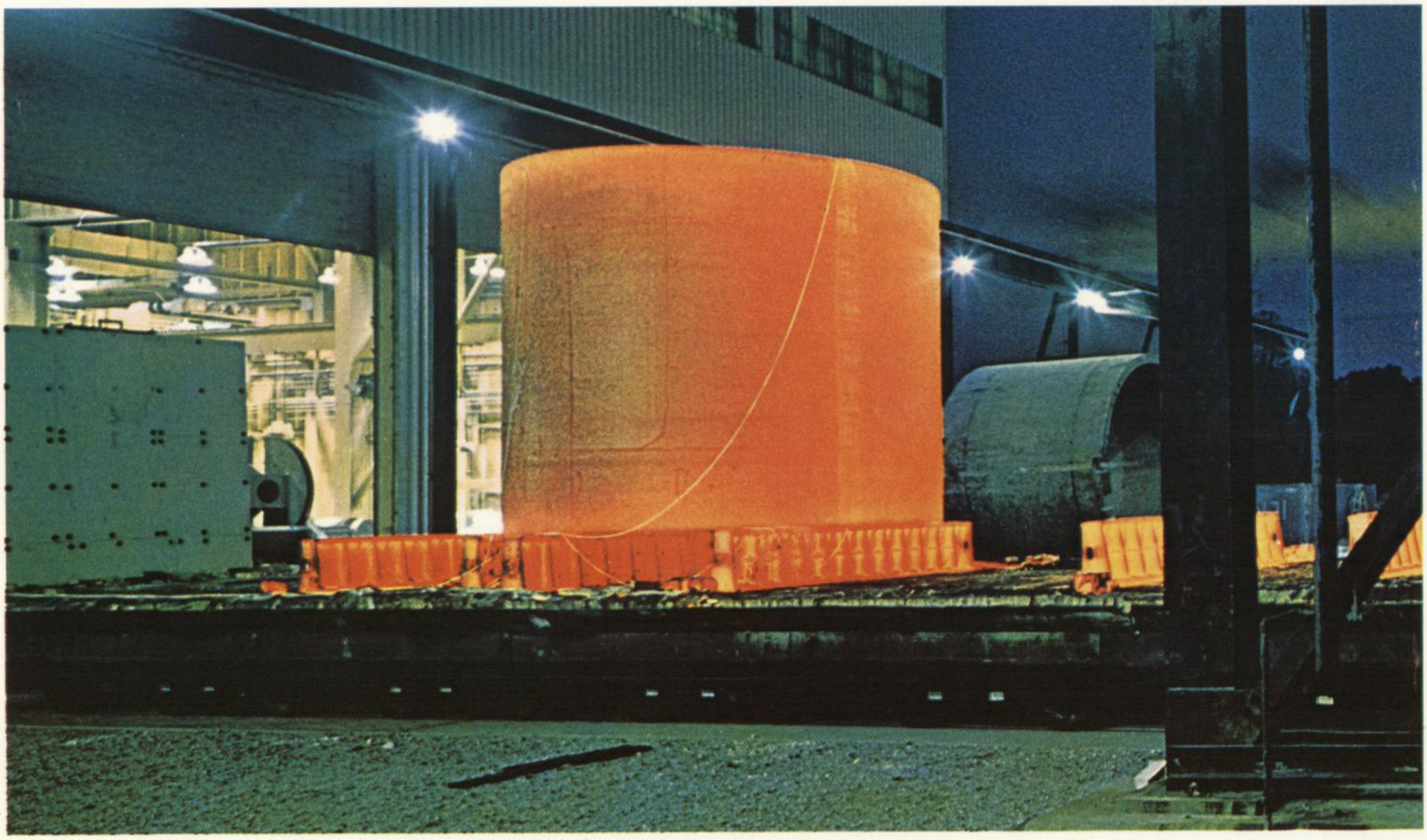
A leading supplier of large transfer and production machines for the automotive, tractor building and other industries, W. F. & John Barnes Company in 1966 designed and built 15 large machines to process cylinder heads and engine blocks for one of the nation's leading manufacturers of automobiles.

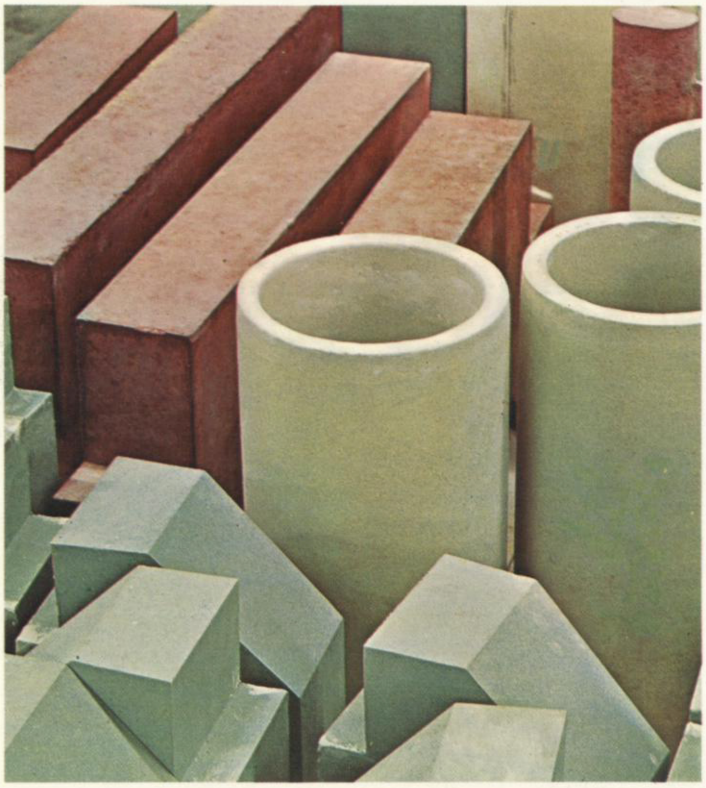
Chemical and Petroleum

B&W has been an important supplier to the chemical and petroleum industries since it first began producing over 40 years ago the high quality tubing required to make new chemical and refinery processes commercially feasible. The Company now supplies many other products to these industries.

B&W welding fittings, alloy tubing and refractory materials are used in chemical processing systems, and in heating and cracking furnaces. Besides developing special fuel burning and steam generating equipment, the Company's Boiler division has pioneered the fabrication of large, heavy-walled pressure vessels for new refining processes. In addition, Bailey Meter Company's computerized control systems and Diamond Power's new package gas absorption system will help many plants reduce air pollution.

▲
At Delta Block 27, one of the nation's major gas reserves, 82 gas wells under the Gulf of Mexico are serviced by five production stations, one of which is shown above. More than 100 miles of special long length, small diameter, heavy walled B&W tubing make up feeder line systems which carry corrosion-inhibiting and anti-freeze liquids from the stations to the high-pressure wells.





◀ Pre-fired refractory shapes of B&W Cerox—a new concept in special oxide refractories—are manufactured by the Refractories division in Augusta, Ga. Their chemical compositions are controlled for high purity and other properties.
The new line provides a range of compositions with exceptional resistance to thermal shock, chemical reaction, abrasion and erosion. These shapes also offer the gas and vacuum tightness required for advanced processes.

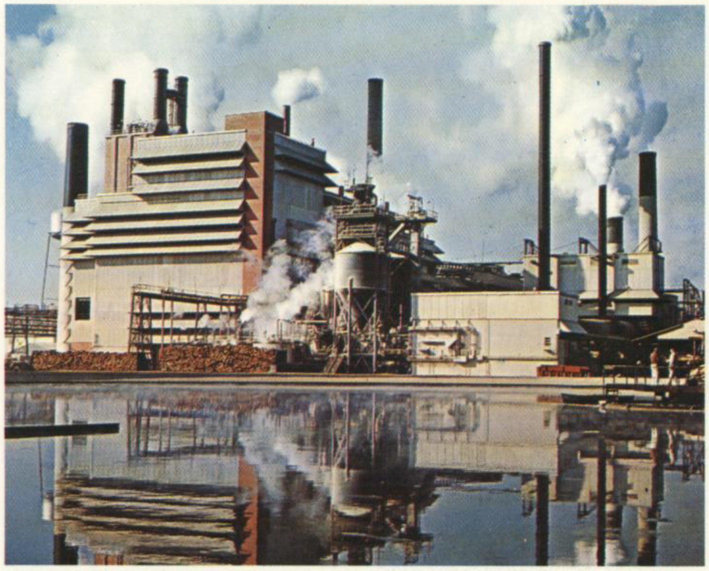
B&W's shop-assembled Cyclopak boiler, the most economical boiler available in its capacity range, affords significant savings to a wide variety of industries. This one is in use at Warren Petroleum Corporation's Mount Belvieu, Tex., fractionating plant. All Cyclopak boilers are built in B&W's Wilmington, N. C., Works. ▼

◀ B&W is an important source of large, heavy-walled pressure vessels. Shown leaving a heat-treating furnace at our Mount Vernon, Ind., facility at a temperature of 1750 degrees Fahrenheit is this 70-ton section for a 14-foot diameter pressure vessel.
The completed vessel is 90 feet long, over 7 inches thick and weighs more than 700 tons.

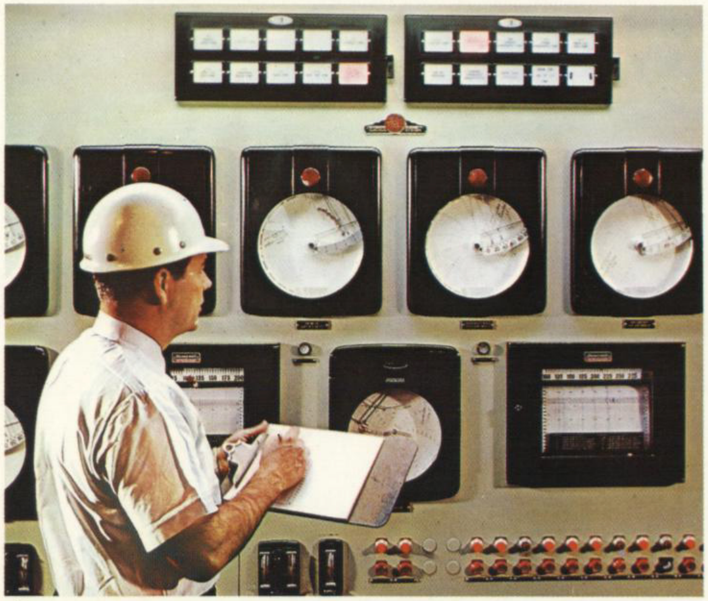
Pulp and Paper

The importance of B&W's role in the expanding pulp and paper field may be gauged by the variety of equipment the Company supplies and the advances it has helped to make possible. Power and chemical recovery units from the Boiler division; meters, and control and data processing systems from Bailey Meter; sootblower systems by Diamond Power; and many types of tubing produced by the Tubular Products division—all are in widespread use by the industry. Five Kraft recovery boilers purchased by the International Paper Company in 1966 constitute the largest single sale of such equipment ever made.

B&W also serves the pulp and paper industry by supplying chemical recovery systems for magnesium base sulfite pulping processes. These systems meet the stream pollution abatement objectives of many sulfite pulp mills.



▲ This Scott Paper Company plant is typical of many B&W installations in the pulp and paper industry. The wide range of products which B&W supplies to this growth market helps to increase pulp production at lower costs while aiding the industry in its successful efforts to control air and stream pollution.

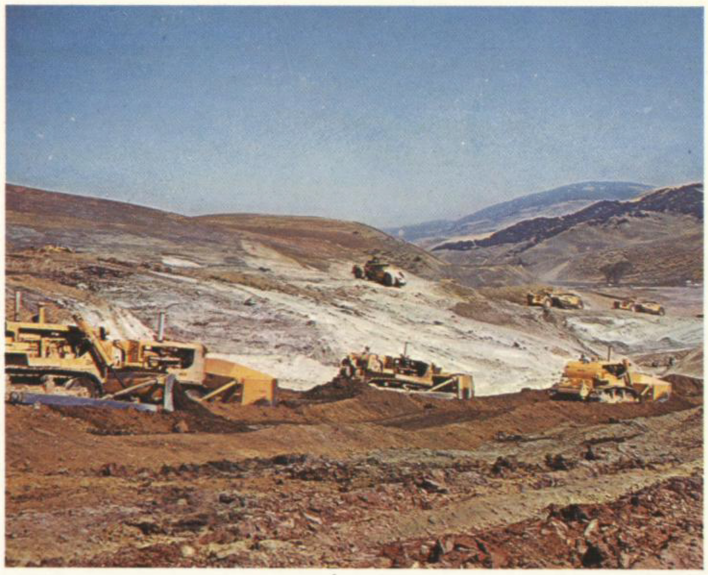


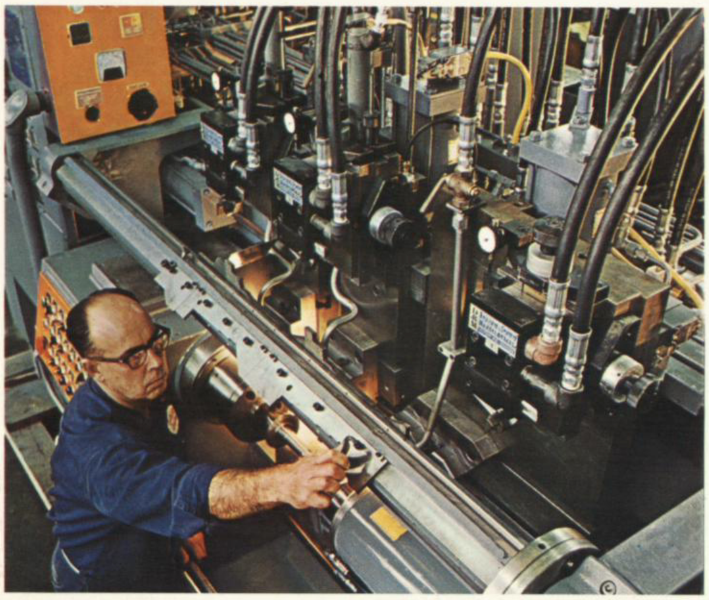
▲ Bailey Meter instruments and controls are used extensively by the pulp and paper industry both in the United States and abroad. This evaporator control panel is on West Virginia Pulp and Paper's pulping mill at Luke, Maryland. Bailey is now developing equipment to completely automate a pulp and paper plant.

A line of pumps awaits shipment from the Galt, Ont., Works of Babcock-Wilcox and Goldie-McCulloch Limited. The equipment was built for the large pulp mill of the Tahsis Co. in Gold River, B.C. B&W's Canadian subsidiary is a major supplier in that country of steam generators, pumps and process equipment for a variety of uses in the utility, pulp and paper and chemical industries. ▶

Machinery

Producing "machines which make machines" and many of the parts and materials which go into them, B&W is an established supplier to the machinery industry. From the Automated Machine division come broaches, broaching machines, tracer lathes, boring machines, and complex transfer and other special machines which perform a variety of operations automatically. The Tubular Products division supplies mechanical tubing and steel extrusions which benefit customers by providing greater design flexibility and reducing manufacturing costs. B&W refractories also help the industry to save money by economically controlling temperatures in furnaces used to temper machine parts.

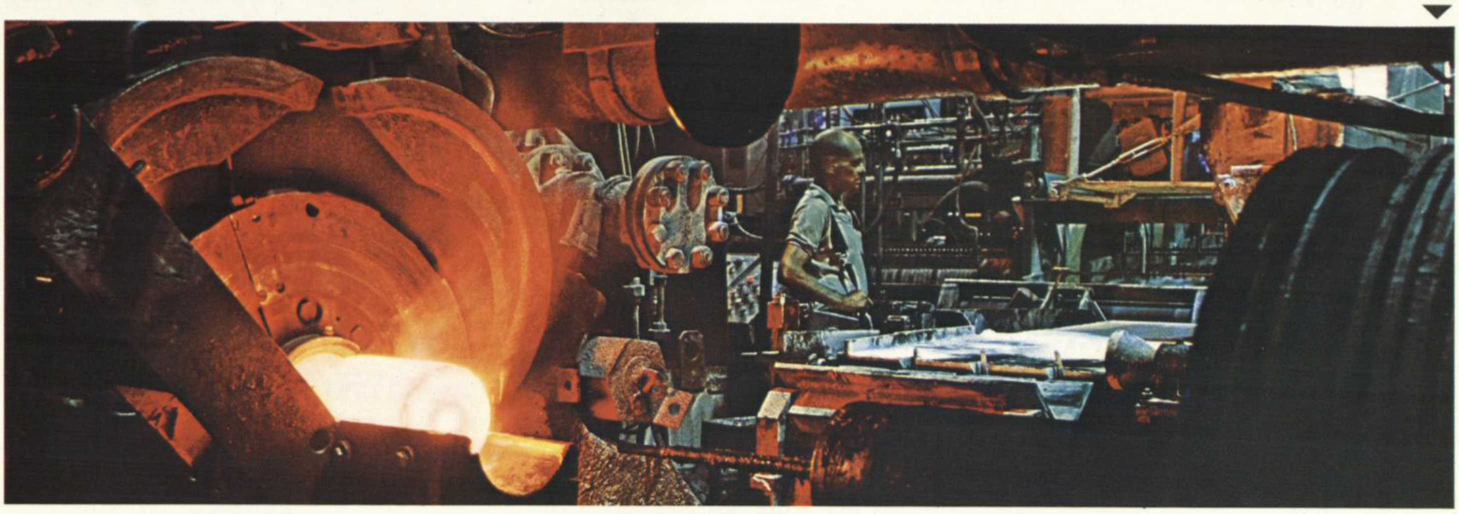




▲ Machinery such as this earth-moving equipment is a common sight all over the world. It puts special-alloy B&W tubing to use in many ways—in wheel bearing raceways, power train components, hydraulic lines, piston assemblies and tracks. In addition, many parts are produced by machines supplied by the Automated Machine division.

◀ A newly completed tracer lathe receives a final inspection before shipment from the Automated Machine division's Detroit Broach plant at Rochester, Mich. The unique feature of the machine is the use of four tracer slides to rough and finish turn the workpieces with one chucking operation.

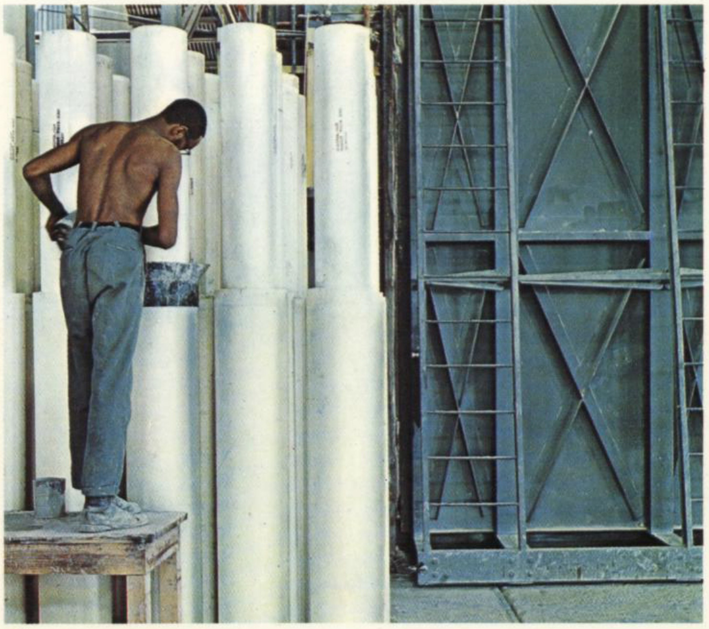
Extrusions are produced at the Tubular Products division plant in Beaver Falls, Pa. B&W's ability to produce high tonnages of such shapes to exact detail in a variety of designs, while maintaining uniform standards, has resulted in a steady growth of volume. ▼



Primary Metals

In the course of developing better methods and materials for its own use, B&W has provided the primary metals industry with important advances. Firebrick introduced in 1922 primarily for boilers was quickly adopted for industrial furnace linings. Today, B&W is meeting the industry's demands for refractories, pouring tubes, blast furnace pulverized-coal injection systems, Bailey controls, continuous casting equipment, basic oxygen furnace hoods, Diamond closed-circuit television systems and many other products.

B&W membrane wall hood, used to cool gases discharged from basic oxygen furnaces, is one of many B&W products gaining acceptance in the primary metals industry. The Company is also working closely with leading steel producers to develop gas cleanup equipment to help control air pollution.



In a new process, molten steel is poured under pressure from the ladle directly into slab molds through special B&W laminated ceramic tubes. By skipping the ingot and blooming mill phases of steel production, the method results in important time and cost savings.

Government

Special technical skills and facilities have for years brought B&W together with the U.S. Government to work on nationally-important projects. In addition to being a major supplier to the nuclear Navy, the Company was selected in 1966 to provide boilers to power two new classes of Navy vessels as well as the aircraft carrier "John F. Kennedy". B&W also produced 660 tons of forgings to form aircraft catapults for the latter. Belfab, acquired in 1966, made the Company a supplier of metal bellows which are key fuel control elements in spacecraft, missiles and jet combat aircraft.

B&W is the leading supplier of reactor vessels, steam generators, pressurizers and reactor cores for the nation's nuclear Navy. It has achieved this position because of its ability to design, build and deliver on schedule equipment which meets rigid specifications.

In the Daytona Beach, Fla., facility of Belfab, a unit of Bailey Meter, an electron beam welding machine produces the perfect welds required to make metal bellows which are used widely in support roles for the most advanced types of U.S. space and defense projects.

The Babcock & Wilcox Company

General Offices, 161 East 42nd Street, New York, N.Y. 10017 ☐ Sales Offices in principal cities

Facilities

Atomic Energy Division

Lynchburg, Va.

Automated Machine Division

W. F. & John Barnes Company

Rockford, Ill.

Detroit Broach & Machine Company

Rochester, Mich.
Greer, S. C.

Century-Detroit Corporation

Detroit, Mich.

Boiler Division

Barberton, Ohio
Brunswick, Ga.
Lynchburg, Va.
Mount Vernon, Ind.
Paris, Texas
West Point, Miss.
Wilmington, N.C.

Refractories Division

Augusta, Ga.
Hephzibah, Ga.

Standard Refractories Limited

Burlington, Ont., Canada

Research and Development Division

Alliance, Ohio
Lynchburg, Va.

Tubular Products Division

Alliance, Ohio
Beaver Falls, Pa.
Milwaukee, Wis.

Bailey Meter Company

Cleveland, Ohio
Wickliffe, Ohio

Belfab

Daytona Beach, Fla.

Bailey Meter Company Limited

Pointe-Claire, Que., Canada
Montreal, Que., Canada

Diamond Power Specialty Corporation

Lancaster, Ohio

Diamond Specialty, Limited

Burlington, Ont., Canada

Diamond Power Specialty Limited

Dumbarton, Scotland
Woolston, Southampton, England

Diamond Superior AB

Sundbyberg, Sweden

Babcock-Wilcox and Goldie-McCulloch Limited

Galt, Ont., Canada

A. M. Lockett & Co., Limited

Jefferson Parish, La.

Products

Air Pollution Control Equipment—Gaseous and Particulate

- Filter Systems
- Wet Scrubber Systems
- Gas Absorption Systems
- Smoke and Dust Density Recorders

Atomic Energy Equipment and Services

- Complete Nuclear Power Systems and Components
  - Reactors and Cores
  - Core Structural Components
  - Pressure Vessels
  - Fuel Elements
  - Heat Exchangers
  - Controls and Instrumentation
  - Control Rod Drives
  - Performance Computers
- Advanced Fuels Development
- Fuel Management Services
- Irradiation and Hot Cell Services

Automation Equipment and Control Systems

- Systems for Process Automation
- Metering and Control Apparatus
- Industrial Process Computers and Information Systems
- Industrial (Closed-Circuit) Television
- Transfer or Multi-Station Machines
- Broaching Machines & Broaches
- Tracer Lathes
- Hydraulic Presses
- Special Purpose Machines
- Precision Bearing Machines
- Rotary Tables
- Hydrostatic Bearings

Refractories Products

- Insulating Firebrick
- Special Firebrick
- Silicon Carbide
- Plastics, Mortars, Castables, Ramming Mixes, Calcines
- Ceramic Fibers
- Special Oxide Refractories
- Kaolin Clays

Special Equipment

- Hollow Forgings for Steam Piping and Other Uses
- Alloy Castings
- Heavy Pressure Vessels
- Heat Exchangers
- Recovery Processes for the Pulp Industry
- Stud Tensioners
- Precision Welded Bellows
- Centrifugal Pumps

Steam Generating Equipment

- For Power, Industrial Process and Heating, and for Marine Service
  - Water Tube Boilers
  - Superheaters and Reheaters
  - Economizers
  - Regenerative and Tubular Air Heaters
  - Pulverized Coal Systems
  - Cyclone Furnaces
  - Coal, Oil, Gas and Multi-fuel Burners
  - Cleaning Systems for Heat Transfer Surfaces
  - Water Gauges
  - Automatic Controls and Instruments
  - Performance Computers

Tubular Products

- Stainless, Alloy or Carbon Steel Seamless and Welded Tubes and Pipe for all Types of Pressure and Mechanical Applications
- Extrusions—Tubular and Solid Shapes
- Welding Fittings and Flanges
- Seamless Rolled Rings

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